

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

FACT SHEET

**AUTHORIZATION TO EXECUTE AMENDMENTS TO LEGAL ENTITY, FEE FOR
SERVICE AND ORGANIZATIONAL PROVIDER AGREEMENTS AND OTHER
RELATED ACTIONS FOR FISCAL YEAR 2009-10 TO ACCOMMODATE
TRANSITION OF STATE MEDI-CAL CLAIMING SYSTEM
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval to execute amendments to the Department of Mental Health Legal Entity Agreements to provide additional Cash Flow Advances, execute amendments to Fee for Service and Organizational Provider Agreements to establish an alternative billing method, and other actions to accommodate the transition to the State's new Medi-Cal claiming system on February 1, 2010.

REQUEST

1. Authorize the Director of Mental Health, or his designee, to execute amendments to the Department of Mental Health (DMH) Legal Entity (LE) Agreements with various contract providers in order to accommodate the transition to the new Medi-Cal claiming system by allowing: a) the providers to request and receive additional Cash Flow Advances (CFA), up to 1/12th of the Maximum Contract Amount (MCA) per month, for up to four additional months, fully funded by available federal, State and County funds, and b) the Director of Mental Health, or his designee, to extend, by up to three months, the date upon which DMH determines if a provider has an outstanding CFA balance and the date upon which DMH initiates repayment of any amounts due.
2. Authorize the Director of Mental Health, or his designee, to approve CFAs for providers who do not provide Medi-Cal services to the extent that such providers are impacted by the transition to the new Medi-Cal claiming system.
3. Authorize the Director of Mental Health, or his designee, to execute amendments to the DMH Fee for Service (FFS) Agreements with group and individual providers and to execute amendments for DMH LE Agreements with FFS Organizational Providers to provide for payment based on manual claims for up to four months, fully funded by federal, State and County funds.
4. Delegate to the Director of Mental Health, or his designee, the authority to take all necessary actions, including but not limited to preparing and executing amendments to existing DMH Agreements, provided that: a) such actions do not result in an increase in the Maximum Contract Amounts (MCA); b) approval of

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County Counsel and the Chief Executive Officer (CEO), or their designees, is obtained prior to such actions; and c) approval of the Auditor-Controller and CEO is obtained for any action that may impact the County's cash flow; and d) the Director of Mental Health notifies your Board of any Agreement changes in writing within 30 days of executing each amendment.

PURPOSE/JUSTIFICATION

The recommended actions are necessary to accommodate the transition to the State's new Medi-Cal claiming system, known as Short-Doyle/Medi-Cal Phase II (SD/MC II), which the State has scheduled for implementation in Los Angeles County on February 1, 2010.

The Fiscal Year (FY) 2009-10 LE Agreement allows providers to request, and DMH to approve, CFAs for either a three- or five-month period at the beginning of the fiscal year depending on the services provided by the contractor. The CFAs are an advance of funds to be repaid by Contractor through direct payment of cash and/or through the provision of appropriate services/activities under the LE Agreement during the applicable period. The recommended actions would authorize DMH to grant additional CFAs to its LE contract providers for up to four months in an amount not to exceed 1/12th of the MCA per month. Providing additional CFAs will allow DMH to implement the required changes for SD/MC II without negatively impacting the financial position of the LE contract providers. This additional CFA will be limited to the current fiscal year (FY 2009-10) and is not applicable for future fiscal years.

As part of SD/MC II, the State is automating the process by which approved Medi-Cal claims are submitted for reimbursement to the federal government so that claims will automatically be forwarded to the Department of Health Care Services (DHCS) upon adjudication for the purpose of requesting federal reimbursement. In order to accommodate the time required for DMH to make payment to the providers prior to DMH's submission of those claims to the State, DMH determined it was necessary to take the Integrated System (IS), DMH's claiming system, off-line as of January 5, 2010, to ensure that claims that would be sent to the State after February 1, 2010, would comply with the new requirements. It is anticipated that the IS claiming system may be off-line for up to four months to accommodate the programming and testing of the revisions to the IS necessary to accommodate SD/MC II.

The IS system is used to capture virtually all services rendered to DMH clients by contract providers, including both Medi-Cal and non-Medi-Cal eligible services, and this information is used by DMH to pay providers for such services. With the IS claiming function off-line, providers will be unable to enter their services and DMH will not have

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the information available to make payments to the providers beginning with the February 2010 payments. As a result, DMH is requesting authorization to amend the agreements so that it can make these additional CFAs for up to four months to accommodate the time that the IS may be off-line.

In addition, DMH is requesting authority to allow contractors who are not eligible Medi-Cal providers to receive CFAs during these same months. Section N, Paragraph 5 of the Financial Exhibit A to the LE Agreement provides that “no Cash Flow Advance will be given if a Contractor has not been certified as an eligible Medi-Cal service provider unless otherwise agreed to by County.” As the need to take the IS off-line will also affect the ability of some of these providers to submit service information and receive payment, DMH recommends extending the CFAs to these providers as well.

Calculation of CFAs

In order to minimize the impact on the County’s cash flow and to ensure that additional CFAs approximate the value of services being provided, DMH will modify its procedures for reviewing and approving CFAs for these additional months, as follows:

- A. Although the recommendation provides for up to four months, the amendment provides for the additional CFAs to be given at DMH’s discretion. DMH will only authorize additional CFAs for months where it is determined to be necessary to accommodate the transition to SD/MC II. To the extent that programming and testing of the system takes less time than anticipated and/or the State delays the SD/MC II implementation date for Los Angeles County, DMH will adjust the availability of CFAs accordingly.
- B. In addition to submitting a written request for the CFA, providers will be required to submit a report of services rendered in the prior month.
- C. Should any contract provider be determined to be at financial risk based on current financial information, DMH will work with the Auditor-Controller to determine any additional conditions that must be met in order for the provider to receive additional CFAs during the transition period.
- D. In determining the amount of CFA that an agency will receive in any given month, DMH will ensure the provider is in good standing (i.e., good repayment history, etc.) with DMH and will also review provider overall claiming history, including prior-year experience, claiming history for the first four months of this fiscal year, the reports of services rendered and, for contract agencies that may represent a

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financial risk, current financial information. Therefore, while the maximum amount of CFA that DMH may authorize for any provider will be 1/12th of its contract amount, DMH may reduce the amount at its discretion. The basis for reduction may include, but is not limited to, the following:

- a. The amount of the MCA for programs and services billed and paid through methods not reliant on the IS system (e.g., invoices);
- b. Average value of monthly services rendered by the provider this fiscal year during the first four months;
- c. The level of services reported by the provider for the previous month and year-to-date when it submits the CFA request; and
- d. The current financial condition of the contractor and its submission of any additional requirements (e.g., updated business plan).

In addition, DMH has encouraged its providers to submit all outstanding claims prior to taking the IS off-line so as to not add to the backlog of claims that would need to be submitted after the IS claiming function is re-enabled and to maximize receipt of federal reimbursement prior to the transition.

Delay in Determining/Collecting Outstanding CFAs

The recommended actions also would allow the Director of Mental Health, or his designee, to delay, up to three months, the date upon which DMH determines whether a provider has an outstanding CFA balance that is due to the County based on both the initial CFA and any additional CFA provided as a result of these actions.

Currently the LE Agreement sets the date upon which DMH makes this determination as September 30 following the close of the fiscal year and the date of final collection by the County of any amounts determined to be due by the following March 31.

The proposed amendment would allow the Director, in his sole discretion, to delay the date of determination up to December 31, 2010, for FY 2009-10 if the Director determines that such deferral is warranted because of circumstances created by the transition to SD//MC II and to correspondingly defer recovery of CFA balances, if any, to no later than June 30, 2011.

DMH will provide to your Board a periodic written status report of the CFAs disbursed for the SD/MC II implementation period beginning when the IS goes back online, and quarterly thereafter until the CFA balances are repaid.

Amendments for FFS Providers

Similar to the LE providers, FFS providers are paid based on information that is entered into and claimed through the IS. These providers also will be unable to claim services during the time that the IS claiming function is off-line. The proposed amendments would allow DMH, during the SD/MC II transition period, to pay FFS providers based on manual claims for services, which will later be entered into the IS.

Delegated Authority to Take Other Necessary Actions

DMH is requesting delegated authority to take any other additional actions, including preparing and executing further amendments to the LE Agreements, FFS Agreements, and any other service provider agreements, which may be necessary in order to accommodate the transition to SD/MC II. Such actions may include changes in billing requirements, submission requirements, and payment procedures. The requested delegated authority could only be utilized provided that: a) such actions do not result in an increase in the MCA; b) approval of County Counsel and the CEO, or their designees, is obtained prior to such actions; c) approval of the Auditor-Controller and CEO is obtained for any action that may impact the County's cash flow; and d) the Director of Mental Health notifies your Board of any Agreement changes in writing within 30 days of executing each amendment.

BACKGROUND

The State is implementing SD/MC II in order to be fully compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) by the March 1, 2010, deadline imposed by the Federal Centers for Medicare and Medicaid Services (CMS). The changes being implemented at the State require DMH to modify the IS system to conform to the new requirements of SD/MC II.

Under the terms of the LE Agreement, providers must request the CFA in writing each month and DMH may authorize such advance in an amount up to 1/12th of the MCA. Any additional CFAs resulting from these actions will be authorized only as needed to accommodate the programming and testing of the IS system and to provide a reasonable period for providers to enter the backlog of claims. Therefore, if the programming and testing take less time to complete and providers are able to begin entering claims before April 1, 2010, the amount and availability of CFAs will be adjusted accordingly.

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In accordance with the ordinance adopted by your Board in October 2009, the proposed amendments include the provisions related to the Defaulted Property Tax Reduction Program.

The amendment format has been approved as to form by County Counsel. The CEO and Auditor-Controller have reviewed the proposed actions. DMH clinical and administrative staff will administer and supervise the Agreements, evaluate programs to ensure that quality services are being provided to clients, and ensure the Agreements' provisions and DMH policies are being followed.

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